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system of classification prescribed for the cities and towns of Massachusetts.

The special commission appointed by the city government of Boston last year to investigate problems connected with the collection and disposal of refuse in that city has just made its report in printed form. The report contains much interesting data concerning the methods of collection and disposal employed in various cities of the United States and abroad, and the commission recommends that Boston should gradually abandon its present system in favor of incineration. The report favors the installation of incinerators of the English "Destructor" type, operated by forced draft at a temperature of not less than 1500° F.

Under the title *Taking Municipal Contracts out of Politics*, Mr. Richard H. Dana of the National Civil Service Reform League discusses, in a recently issued pamphlet, the possibility of selecting high-grade experts for the city's service.

The Census Report on *Statistics of Cities* of over 30,000 population, for 1907, shows in detail the financial transactions of the municipal governments, with a discussion of accounting terminology, and also data on the equipment and personnel of administrative departments and on sewers, streets, and other public improvements. There is included a special discussion on the organization and methods of police departments, by Richard Sylvester, superintendent of the police force of the District of Columbia, and also a discussion of the economic and sanitary supervision of city milk supplies, by Dr. Moses N. Baker, associate editor of the *Engineering News*. An appendix contains a suggested uniform system of accounting for water supply systems.

#### CLEVELAND'S STREET RAILWAY SETTLEMENT

T. L. SIDLO

With the failure of the Schmidt grant at the referendum held in August, 1909, the street railway situation in Cleveland reached an *impasse*. The grant was the last card of the Johnson administration in its fight for an out-and-out low fare. It provided for flat three-cent fare, universal transfers, and indeterminateness of tenure—all on the basis of the numerous restrictive and definitive provisions which Mayor Johnson and his able legal adviser, Mr. Newton D. Baker had, after eight years' fruitful

experience, deemed it essential to incorporate into a street railway franchise. The people voted it down by a narrow margin, many being skeptical of Mr. Schmidt's ability to carry out his contract, and others disliking the technical character of the ordinance, which depended upon an "extension" grant to give it working effect.

The grant had been designed as a club to bring the Cleveland Railway Company, the object of the Johnson administration's fight, to its knees with as good an offer, in order to prevent giving up its property. The defeat of the measure, consequently, left the city in an unstrategic position. Public opinion, however, forced both contestants to enter into peace negotiations. Meetings were accordingly held between the city council and the president of the company. But the council resumed its old-time rigid adherence to principle and the company its old-time arrogance, and negotiations seemed to lean farther and farther away from a settlement.

Several days before the November election, however, the situation was suddenly clarified by the announcement of concessions on both sides. It was agreed to leave the determination of certain undecided differences and the drafting of an ordinance effecting a complete settlement to Federal Judge Robert E. Tayler, and each party bound itself to accept and ratify his awards and ordinance. Mayor Johnson reserved the privilege to criticise the ordinance if he were not satisfied with it, and to institute a referendum to get an expression of the people's will upon it before it went into effect.

On November 2, Mayor Johnson was defeated for a fifth term. In the middle of December Judge Tayler reported on the matters left to his judgment by tendering the Tayler ordinance. On December 18, it was accepted by the company and passed by the council. If no opposition to the ordinance arose within thirty days, the ordinance would go into effect thereafter, according to law. Late in December, however, referendum petitions were circulated by Mr. Johnson and the *Cleveland Press* and the required signatures obtained. The republican party organization circulated similar petitions, which were given official recognition. A referendum was fixed for February 18. No campaign was made either for or against the grant, beyond a limited number of newspaper arguments, and probably not one voter in a hundred understood its chief provisions. The ordinance, however, passed by the large majority of eight thousand votes.

Commissioner Milo R. Maltbie, of New York City, discussing the relative advantages of certain forms of franchise grants from the stand-

point of the public, points out that franchises providing for governmental supervision of rates and operation have frequently armed the public interest with "an effective weapon;" that a short term franchise, with provisions for reversion to the city at the expiration of the grant, has proved the next best thing; and that an indeterminate franchise, "or tenure during good behavior," is the most advanced and scientific form of franchise grant known.<sup>1</sup> From the terms of the new street railway ordinance, the people of Cleveland have obtained, on paper at least, a combination of all three advantages. The franchise as will appear, is indeterminate in a very large sense; it is short in duration in that its maximum limit is 24 years, the more probable limit being 15; while governmental supervision is provided for in ample manner. An honest city administration, therefore, will have the rare opportunity of giving actual effect to advantages which students have not dared to hope any one city might possess fully in any one franchise grant. If the ordinance fails to excel in its working-out, the fault will inevitably lie in lack of enforcement.

Nothing more has been attempted here than to give the readers of the **REVIEW** a digest which shall be of practical value, of the chief provisions of the Tayler ordinance. It is too early to do anything more, for the ordinance has only been in effect since March 1, 1910.<sup>2</sup>

*Tenure:* The Cleveland Railway Company is given a renewal on all its lines until May 1, 1934. The city reserves the right to purchase and take over the entire system, when it has the legal power to do so, upon six months' notice. It reserves the further right, after January 1, 1918, to designate a purchaser of the company's property who will agree to accept a smaller return on the capital stock by at least a quarter of one per cent. The company may cover or underbid the prospective purchaser's rate, whereupon its rate will go into automatic effect and it will retain possession of its property.

*B. Service:* The city reserves to itself the entire control of the service, subject to the final judgment of arbitrators in case of dispute. The

<sup>1</sup> Annual Report for the Year Ending Dec. 31, 1908, of the Public Service Commission of New York, for the First District, vol. I, pp. 177 et seq.

<sup>2</sup> Mayor Johnson says "there are four vital defects in the street railway settlement:

The first is, the maximum fare is too high.

The second is, the valuation is too high.

The third is, the city's control by arbitration is too weak.

The fourth is, a friendly council can relieve the company of all the people's safeguards without a referendum vote."

arbitrators' direction or award is made immediately obligatory upon the company on pain of having its dividends cut as much as 1 per cent until the decree is obeyed. Pay-enter cars are to be installed within five months to the number of at least 450, and completely at the end of eighteen months, with the exception of 100 trailers.

*C. Fare:* "The maximum rate of fare . . . shall be four cents (4c.) cash fare, seven (7) tickets for twenty-five cents (25c.), one cent (1c.) transfer, no rebates; and, including said maximum rate the following schedule or scale of fares is hereby established:

(a) Four cents (4c.) cash fare, seven (7) tickets for twenty-five cents (25c.), one cent (1c.) transfer, no rebate.

(b) Four cents (4c.) cash fare, seven (7) tickets for twenty-five cents (25c.), one cent (1c.) transfer, one cent (1c.) rebate.

(c) Four cents (4c.) cash fare, three (3) tickets for ten cents (10c.), one cent (1c.) transfer, no rebate.

(d) Four cents (4c.) cash fare, three (3) tickets for ten cents (10c.), one cent (1c.) transfer, one cent (1c.) rebate.

(e) Three cents (3c.) cash fare, one cent (1c.) transfer, no rebate.

(f) Three cents (3c.) cash fare, one cent (1c.) transfer, one cent (1c.) rebate.

(g) Three cents (3c.) cash fare, two (2) tickets for five cents (5c.), one cent (1c.) transfer, no rebate.

(h) Three cents (3c.) cash fare, two (2) tickets for five cents (5c.), one cent (1c.) transfer, one cent (1c.) rebate.

(i) Two cents (2c.) cash fare, one cent (1c.) transfer, no rebate.

(j) Two cents (2c.) cash fare, one cent (1c.) transfer, one cent (1c.) rebate."

Rate (e) goes into effect with the beginning of the grant and remains in force for eight months. Five hundred thousand dollars having been previously placed in the "interest fund," if at the end of eight months, the fund is less than \$500,000, the company is to install the next higher rate; and if this will not restore the balance, then the company may install any rate not higher than the maximum. In the event of the city's unwillingness to agree to the company's action, the difference is to be left to arbitration and the award of the board to remain binding for at least six months.

"Whenever the amount credited to the interest fund, less the accrued payments to be made therefrom, shall be less than five hundred thousand dollars (\$500,000) by the amount of two hundred thousand dollars (\$200,000), this shall be prima facie evidence of the necessity of raising the rate of fare to the next higher rate on the scale. . . .

"Whenever the balance in the interest fund, less proportionate accrued payments to be made therefrom, shall be more than five hundred thousand dollars (\$500,000) by the amount of two hundred thousand dollars (\$200,000), it shall be prima facie evidence of the necessity of lowering the rate of fare to the next lower rate on the scale. . . . "

*D. Publicity:* "At all times. . . . the company shall keep in its office open to inspection at all reasonable times, full, true and accurate accounts of all moneys expended and liabilities incurred in connection with said business, and the maintenance and operation of said property, and also complete statistical accounts of its business and operations, which accounts shall be kept in the manner prescribed by the American Street and Interurban Railway Accountants' Association, or as may be provided for by law, and the said company shall make and furnish to the city street railroad commissioner monthly reports of its car-mileage, and earnings, and such other statements and reports as the said commissioner may from time to time direct; and said commissioner shall at all times have access to, and full authority to inspect, examine, audit and verify, all accounts, vouchers, documents, books and property of the company relating to the receipt and expenditure of money, and the business done by the company in the operation of its railway."

*E. City Street Railroad Commissioner:* The mayor of the city is empowered with the approval of the city council, to appoint a street railroad commissioner; and may remove him without showing cause. The commissioner is made the technical adviser of the council and is required to keep informed on every phase of the company's business. He may employ at the company's expense (such expense being subject to the approval of the city council) the necessary "assistants, accountants, engineers, clerks and other employees. . . . to inspect and audit all receipts, disbursements, vouchers, prices, payrolls, time-cards, papers, books, documents and property of the company. . . ." Whenever extensions, etc., are proposed, "he shall have the right to employ such assistance as he shall deem necessary for the purpose of checking material, labor or other costs, etc." The company is required to furnish office room for the commissioner at its general offices, furniture, stationery and supplies. The commissioner is to receive a salary not exceeding \$1000 per month, fixed from time to time by the councils, and payable by the company.

*F. Boards of Arbitration:* Differences between the company and the city are to be settled by boards of arbitration consisting of personally

appointed representatives of each of the parties and a third member appointed by the federal judge having jurisdiction over the city of Cleveland. Or in the event of the disqualification of the latter, or his refusal to act, the judge of the United States circuit court of the district in which Cleveland is situated is to appoint the third arbitrator.

*G. Valuation:* 1. For the purpose of fixing a basis for the rate of fare, the return to the company, and the price at which the property of the company may be purchased, the capital value of the system is defined in detail under three heads: (a) *bonded indebtedness*—\$8,128,000; (b) *floating indebtedness*—\$1,288,000; (c) “*residue*”—\$14,675,600. Total \$24,091,600.

The *interest fund* is defined as including all earnings from every source, above operating expenses, maintenance and depreciation and renewal allowance.

“The company may, without the consent of the city, issue and sell its capital stock, or increase its bonded or floating debt; but no increase in capital stock or bonded or floating indebtedness by the company shall be considered a part of the capital value. . . . unless made pursuant to provisions of this ordinance, or with the consent of the city.”

2. In the event of the city’s purchase of the property, the price paid “shall be its value for street-railroad purposes, and shall be obtained as follows: The cost of reproduction shall be estimated, and from this shall be deducted a reasonable amount for depreciation. All the physical property, of every nature, within the then city limits, used in the operation of the railroad, shall be included in the valuation. Separate itemized schedules, with values, shall be made under the following titles:

1. Land. 2. Power plant, including land, buildings and machinery. 3. All other buildings. 4. Tracks, including poles, wires and appurtenances, and also including pavement to the extent paid for by the company and included in capital value subsequent to the passage of the ordinance. 5. Rolling stock. 6. Miscellaneous.

To the total valuation of the above items. . . . 10 per cent shall be added. But in arriving at such valuation no franchises or privileges granted by the city shall be estimated or paid for, nor shall any payment be made for the amount in the interest fund, which shall then become the property of the city of Cleveland.” The appraisal of the property is left to arbitrators.

*H. Purchase of Property at Expiration of Franchise:* “If, at the expiration of this franchise, no extension or renewal thereof is granted by the city, and the city does not then purchase the property, any person

or persons to whom a franchise may be granted to operate a railroad over the then existing lines, or any of them, or any part of them, shall have the right, and be under obligation, to purchase said railroad, or such portion thereof, from its then owner, upon the terms herein provided for purchase by the city. . . . ”

*I. Reduction of Capital Value:* Whenever the unexpired term of the company's franchise is less than fifteen years, the company may elect to charge the maximum rate of fare and to assume control of the schedule of operation, subject to the general control remaining in the city from its police power, under the following conditions: “. . . . Whenever the amount credited to the interest fund, less the proportionate accrued payments to be made therefrom, shall be more than \$500,000 by the amount of \$200,000 the excess above \$500,000 shall be by the company applied to a reduction of the capital value. . . as follows: First, by the payment of any then outstanding floating indebtedness of the company; second, by the payment of any bonds then outstanding of the company which can at such time. . . . be paid; third, by creating a sinking fund to assist in securing a reduction of capital value. . . .; and after the payment of any such floating indebtedness, the capital value. . . . shall be reduced by the amount so paid, and there shall be no payments made thereon out of the interest fund.” The city, or in the event of its naming a purchaser, the licensee, shall be given the benefit of this reduced valuation in fixing the selling price. The city may renew the company's grant at any time, and if the company refused to accept the renewal the rights and obligations of the above-quoted section become inoperative.

*J. The “Invalidity” Clauses:* If the provisions of the ordinance respecting rates of fare should ever be adjudged invalid, the city council shall have the power to fix such rates, but must not endanger the \$500,000 reserve in the interest fund or impair the ability of the company to meet its fixed obligations.

If the provisions respecting arbitration should be adjudged invalid, the council shall assume the functions of the board of arbitration.

If the provisions respecting the street railroad commissioner should ever be adjudged invalid, the company may designate the city auditor or any other officer or employee of the city to perform the same function.

If the city, having obtained the legal authority to do so, should ever decide to purchase, or if it should ever nominate a licensee, and the company should refuse to sell, such refusal shall work a forfeiture of the grant.

*K. Miscellaneous Provisions:* The company alone may propose extensions, betterments or permanent improvements.



The company is required to use all "reasonable protective measures" under the direction of the commissioner to provide for the collection of all fares.

"The salaries of persons employed by the company and receiving compensation at the rate of \$1,500 per annum or more shall not be in excess of those paid for similar work by other properties of the same relative size."